

Message Text

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APPROVED BY NEA/ARP:JWTWINAM
TREASURY:DMASLIN
TREASURY:BPOUNDS
TREASURY:LWBOWDEN
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FM SECSTATE WASHDC
TO AMEMBASSY JIDDA PRIORITY
AMCONSUL DHAHRAN
INFO USLO RIYADH

C O N F I D E N T I A L STATE 103442

E.O. 11652: GDS

TAGS: EFIN, SA

SUBJECT: SAUDI FOREIGN ASSETS AND CURRENT ACCOUNT SURPLUS

REF: JIDDA 2066

1. TREASURY HAS REVISED ITS 1977 SAUDI CURRENT ACCOUNT SURPLUS TO DOLLARS 18 BILLION AND ESTIMATES THAT SAMA FOREIGN ASSETS INCREASED BY ABOUT DOLLARS 10 BILLION LAST YEAR. TREASURY CURRENT ACCOUNT BALANCE EXCLUDES OFFICIAL TRANSFERS WHICH ARE GOVERNMENT GRANTS. AID FLOWS (BI-LATERAL AND MULTILATERAL, CONCESSIONAL AND NON-CONCESSIONAL LOANS) ARE IN THE CAPITAL ACCOUNT. TOTAL SAUDI FOREIGN ECONOMIC ASSISTANCE TOTALLED ALMOST DOLLARS 6 BILLION IN
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1976. WE EXPECT THE FIGURE WAS SOMEWHAT HIGHER IN 1977. THUS DOLLARS 8 BILLION DISCREPANCY BETWEEN 1977 SAUDI FOREIGN ASSET ACCUMULATION AND CURRENT ACCOUNT SURPLUS IS PRIMARILY EXPLAINED BY SAUDI AID FLOWS. IN ADDITION, CURRENT ACCOUNT ESTIMATES ARE ON ACCRUAL BASIS WHILE INVESTMENTS ARE ON CASH FLOW BASIS. THIS COULD ACCOUNT FOR THE REMAINING DOLLARS 2 BILLION DISCREPANCY.

2. TREASURY ESTIMATES 1977 SAUDI OIL REVENUES (GOVERNMENT-TAKE) AT DOLLARS 38.7 BILLION AND SAUDI IMPORTS AT DOLLARS

14.3 BILLION RESULTING IN A TRADE BALANCE OF DOLLARS 24.5 BILLION. SERVICES AND PRIVATE TRANSFERS TOTAL DOLLARS 6.3 BILLION GIVING AN OVERALL SURPLUS OF DOLLARS 18.2 BILLION (EXCLUDING OFFICIAL TRANSFERS). SAMA'S ESTIMATE OF A DOLLARS 13 BILLION CURRENT ACCOUNT SURPLUS IN 1977 INCLUDES OFFICIAL TRANSFERS.

3. TREASURY IS ESTIMATING 1978 SAUDI CURRENT ACCOUNT SURPLUS AT DOLLARS 10 BILLION, A DOLLARS 8 BILLION DROP FROM 1977. THE DOLLARS 10 BILLION EXCLUDES GOVERNMENT GRANTS AND ALL AID FLOWS REFERRED TO IN PARA 1. 1978 OIL REVENUES ARE ESTIMATED AT DOLLARS 35.6 BILLION (GOVERNMENT-TAKE), A DOLLARS 3 BILLION DECLINE FROM 1977. THIS ASSUMES OIL PRODUCTION OF 8.5 MILLION B/D AND EXPORTS OF 8.1 MILLION B/D. AT THE SAME TIME, WE ASSUME IMPORTS, WHICH INCREASED OVER 30 PERCENT IN 1977, WILL SLOW SLIGHTLY AND INCREASE ABOUT 25 PERCENT, OR DOLLARS 3.5 BILLION, TO ALMOST DOLLARS 18 BILLION IN 1978. REMAINING DOLLARS 1 BILLION DECLINE IN CURRENT ACCOUNT SURPLUS IS ACCOUNTED FOR BY INCREASE IN NET SERVICES AND PRIVATE TRANSFERS.

4. FYI. IMF IS REPORTING A 1976 SAUDI CURRENT ACCOUNT SUR-
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PLUS OF DOLLARS 17.5 BILLION (EXCLUDING OFFICIAL TRANSFERS PER TREASURY'S METHOD OF CALCULATING CURRENT ACCOUNT BALANCE). THIS FIGURE IS BASED ON REPORTS SENT TO IMF BY SAMA WHICH PUBLISHES ITS OFFICIAL BALANCE OF PAYMENTS STATISTICS IN A DIFFERENT FORM IN ITS ANNUAL REPORT. WHEN SAMA REPORTS ITS CURRENT ACCOUNT SURPLUS IT INCLUDES OFFICIAL TRANSFERS (GRANTS) WHICH TOTALLED DOLLARS 3.5 BILLION FOR 1976. THUS 1976 CURRENT ACCOUNT SURPLUS AS REPORTED BY SAMA IS DOLLARS 14 BILLION (DOLLARS 17.5 MINUS DOLLARS 3.5).

5. DETAILED SAUDI CURRENT ACCOUNT FIGURES AS ESTIMATED BY TREASURY FOR 1976, 1977 AND 1978 WITH FOOTNOTES AND EXPLANATIONS AND NEW IMF BALANCE OF PAYMENTS YEARBOOK DATA HAVE BEEN POUCHED. CHRISTOPHER

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